FISCAL NOTE

Bill #: HB0082 **Title:** Exempt certain solar cells from property taxation

Primary Sponsor: Facey, T **Status:** As Introduced

Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Revenue:		
General Fund	($848)	($1,696)
Other (university 6 mill account)	($54)	($107)
Net Impact on General Fund Balance:	($848)	($1,696)

☐ Significant Local Gov. Impact ☒ Technical Concerns

☐ Included in the Executive Budget ☐ Significant Long-Term Impacts

☐ Dedicated Revenue Form Attached ☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. HB 82 will exempt from property taxation photovoltaic cells, or those cells used to convert solar energy. The proposal is effective upon passage, exempting *(entirely)* all photovoltaic cells installed after December 31, 2002.
2. Current law exempts residential photovoltaic systems up to $20,000 and commercial photovoltaic systems up to $100,000.
3. Assuming that any new commercial system will carry a value less than the current $100,000 exemption, The Department of Environmental Quality (DEQ) estimates that no new commercial systems will be affected by the bill.
4. DEQ projects that each year 75 new residential photovoltaic systems with an approximate value of $25,000 each will see a reduction in tax liability due to the proposal. If a new residential photovoltaic system with a value of $25,000 is installed under the proposal, assessed value would decrease by $5,000 for each system ($25,000 value of the system less the current law exemption of $20,000).
5. Residential photovoltaic systems are classified as class 4 property and have a homestead exemption of 31%, and a taxable rate of 3.46%.
6. The provisions of the bill will decrease taxable value of each new photovoltaic system installed by $119 ($5,000 x 69% x 3.46%).
7. 75 new residential photovoltaic systems would decrease current law total statewide taxable value in fiscal 2004 by $8,925 (75 new systems x $119). An additional 75 systems in fiscal 2005 will decrease taxable value statewide by $17,850 (150 new systems x $119).

8. The proposal will result in a decrease in general fund revenue of $848 ($8,925 x 95 mills) in fiscal year 2004, and $1,696 ($17,850 x 95 mills) in fiscal year 2005.
9. The university 6-mill account will see a decrease in revenue of $54 ($8,925 x 6 mills) in fiscal year 2004, and $107 ($17,850 x 6 mills) in fiscal 2005.
10. There are no additional administrative costs to the Department of Revenue under the bill.

<u>FISCAL IMPACT:</u>

	FY 2004 Difference	FY 2005 Difference
<u>Revenues:</u>		
General Fund (01)	($848)	($1,696)
Other *(university 6 mill account)*	($54)	($107)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	($898)	($1,696)
Other *(university 6 mill account)*	($54)	($107)

<u>EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:</u>
The proposal would result in a very slight reduction in the taxable value of local governments where photovoltaic cells are located. It is estimated that the total reduction in taxable value would be $8,925 in FY04 and $17,850 in FY05. The reduction in taxable value is estimated to result in a reduction of property tax revenue of $3,620 in FY04 and $7,240 in FY05. Local governments may absorb the reduction in property tax revenue or, under the mill levy calculation in 15-10-420, MCA, may increase mill levies to offset the loss in property tax revenue.

<u>TECHNICAL NOTES:</u>
1. Under current law, 15-32-405 MCA prohibits certain industrial dairies from taking the income tax credit for investments made in alternative energy systems (15-32-402 MCA). The proposal strikes subsection 15-6-201(3) from language in 15-32-405 MCA, and now under the proposal, will allow those industrial dairies to take the income tax credit under 15-32-402 MCA. This section of the bill reads

   "Property tax ~~reduction~~ <u>reductions</u> allowed by 15-6-201~~(3)~~<u>(1)(ff), (1)(qq), effective on the occurrence of the contingency specified in section 31(4), Chapter 285, Laws of 1999, or (4)</u> may not be applied to a facility for which a credit is claimed pursuant to this part."

   This change in law is not included in the heading / description of the bill.

2. The bill exempts from property taxation photovoltaic cells used for commercial or residential purposes. The language of the amendment, appears to indicate that, unless class eight property is reduced to zero, the property owner may <u>also</u> take a tax credit under 15-32-405. However, if the contingency does occur, and the property owner claims the credit, that property is not exempt from property taxation.

   This creates another problem. It makes sense that if property is exempt from taxation, a person should not be able to claim an income tax credit on the exempt property. 15-6-201 provides for property tax exemption automatically to the properties listed. However, the way that the bill is written, it seems to indicate that the property owner who claims a credit does not get the property tax exemption. It should be written to indicate that if the property is tax exempt, the property owner cannot claim the credit.